



SACHI A. HAMAI  
EXECUTIVE OFFICER

# COUNTY OF LOS ANGELES BOARD OF SUPERVISORS

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 383  
LOS ANGELES, CALIFORNIA 90012  
(213) 974-1411 • FAX (213) 620-0636

MEMBERS OF THE BOARD

GLORIA MOLINA

MARK RIDLEY-THOMAS

ZEV YAROSLAVSKY

DON KNABE

MICHAEL D. ANTONOVICH

STATE OF CALIFORNIA        )  
  ) ss.  
COUNTY OF LOS ANGELES    )

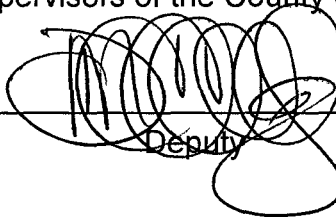
I, SACHI A. HAMAI, Executive Officer-Clerk of the Board of Supervisors of the County of Los Angeles, do hereby certify that the attached is a full, true and correct copy of a Board Order No. 1-F, from the meeting of May 25, 2010, relating to a recommendation by the Chief Executive Officer, Director of Internal Services, and the Treasurer and Tax Collector to request the Board, acting as the Board of Directors of the Los Angeles County Public Works Financing Authority, adopt resolution approving the issuance of assessment revenue bonds for the purpose of funding the Los Angeles County Energy Program (LACEP) and authorize the execution and delivery of various financing documents; and authorize the Chief Executive Officer and the Treasurer and Tax Collector, in consultation with County Counsel and with the assistance of bond counsel, to prepare and cause to be filed and prosecuted to completion all proceedings required for judicial validation of the contractual assessments and LACEP financing instruments, which was adopted by the Board of Supervisors of the County of Los Angeles, and ex officio the governing body of all other special assessment and taxing districts, agencies and authorities, for which said Board so acts:

IN WITNESS WHEREOF, I have hereunto set my hand  
and affixed the seal of the County of Los Angeles this  
23<sup>rd</sup> day of June 2010



Sachi A. Hamai, Executive Officer-Clerk of the Board of  
Supervisors of the County of Los Angeles.

By \_\_\_\_\_

  
Deputy



# County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 713, Los Angeles, California 90012  
(213) 974-1101  
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA  
Chief Executive Officer

May 25, 2010

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

The Honorable Board of Directors  
Los Angeles County Public Works Financing Authority  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Board Members:

## PUBLIC HEARING TO ESTABLISH THE LOS ANGELES COUNTY ENERGY PROGRAM (ALL DISTRICTS) (3 VOTES)

### SUBJECT

On April 6, 2010, your Board adopted a resolution of intention (the Resolution of Intention) to implement the Los Angeles County Energy Program (LACEP or Program) to provide financing to qualified property owners within the County for the installation of distributed generation renewable energy projects and energy and water efficiency improvements to their respective properties. Pursuant to Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code (the Act), your Board also set a public hearing date of May 25, 2010, to formally approve the Program and to provide an opportunity for public comment. The adoption of the enclosed resolutions will establish LACEP within the boundaries of the County and authorize a program of bond financing for loans made in connection with LACEP. Following the conclusion of the public hearing, incorporated cities within the County will have the opportunity to join LACEP through the adoption of a resolution by their respective city councils. The financing plan being presented to your Board is predicated on the issuance of bonds secured by contractual assessment revenues (Assessment Bonds) and will be validated in the Superior Court of Los Angeles County.

### IT IS RECOMMENDED THAT YOUR BOARD:

As contemplated in the attached County Resolution Authorizing the Establishment of the Los Angeles County Energy Program, and Indenture (attachment 1):

# ADOPTED

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

1-F

May 25, 2010

SACHI A. HAMAI  
EXECUTIVE OFFICER

Board of Supervisors  
GLORIA MOLINA  
First District

MARK RIDLEY-THOMAS  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

1. Confirm the program report (attachment 2) prepared by the Internal Services Department (ISD) in accordance with Section 5898.22 of the Act and approve the formation of the contractual assessment program in connection with LACEP;
2. Direct the establishment and implementation of LACEP as provided for in the program report and in accordance with the applicable law; and
3. Appoint and designate the Director of ISD (the Program Administrator) to enter into contractual assessments with property owners on behalf of the County.

As contemplated in the attached County Resolution Authorizing Certain Actions in Connection with the Issuance and Sale of Assessment Bonds, and Indenture (attachment 3):

1. Establish a special fund to be held in trust by the County (the "Energy Fund") to be used for the purpose of administering LACEP;
2. Approve the issuance of the Assessment Bonds for the purpose of funding LACEP and authorize the execution and delivery of various financing documents in substantially the form presented to your Board at this public hearing; and
3. Authorize the Chief Executive Officer (CEO) and the Treasurer and Tax Collector (Treasurer), or their designees, in consultation with County Counsel and with the assistance of bond counsel, to prepare and cause to be filed and prosecuted to completion all proceedings required for judicial validation of the contractual assessments and LACEP financing instruments.

**IT IS RECOMMENDED THAT YOUR BOARD, ACTING AS THE BOARD OF DIRECTORS OF THE LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY:**

As contemplated in the attached Los Angeles County Public Works Financing Authority (Authority) Resolution Authorizing Certain Actions in Connection with the Issuance and Sale of Assessment Bonds, and Indenture (attachment 4):

1. Approve the issuance of the Assessment Bonds for the purpose of funding LACEP and authorize the execution and delivery of various financing documents in substantially the form presented to your Board at this public hearing; and
2. Authorize the CEO and Treasurer, or their designees, in consultation with County Counsel and with the assistance of bond counsel, to prepare and cause to be filed and prosecuted to completion all proceedings required for judicial validation of the contractual assessments and LACEP financing instruments.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The public hearing with respect to LACEP is being held to allow interested persons the opportunity to comment upon, object to, or present evidence with regard to the proposed contractual assessment program. The public hearing is required pursuant to the Act and will serve to formally establish the Program within the boundaries of the County. Following

completion of the public hearing, the County will pursue judicial action to validate the priority status of the contractual assessment lien and to establish a program of bond financing to provide funding for loans made in connection with LACEP.

As referenced in prior correspondence to your Board, LACEP is being formed in accordance with California Assembly Bill 811 (AB 811), which was approved by the State Legislature and signed by the Governor on July 21, 2008. LACEP is intended to help property owners make capital investments in distributed generation renewable energy sources and energy efficiency and water efficiency improvements (collectively, the Improvements) that will provide long-term efficiencies and reduced energy bills. The Program will provide a financing mechanism for these improvements through an assessment contract between the County and the property owner, pursuant to which the County will disburse a specified amount of funding in the form of a loan to the property owner. The property owner will repay this loan through contractual assessments to be included on the annual property tax bill. If the owner sells the subject property prior to full repayment of the loan, the obligation remains a lien on the subject property and transfers to the new property owner. The County intends to finance the Program by issuing (or causing to be issued) bonds payable from contractual assessment revenues. Participation in the Program is completely voluntary and property taxes for non-participating property owners will not be affected by the County's implementation of LACEP. In addition, the Improvements will not generally be subject to reappraisal by the County Assessor unless they are included as part of a major remodeling or renovation that results in a structure substantially equivalent to new construction.<sup>1</sup>

In connection with your Board's adoption of the Resolution of Intention, on April 6, 2010, ISD was directed to prepare a report (Report) detailing certain items in relation to LACEP, as required by Section 5898.22 of the Act. This Report has been filed with the Executive Office of your Board and is included as part of the public hearing. In the Report, the Program Administrator provides the following information regarding LACEP:

- A description of the territory wherein contractual assessments will be made available and a process for cities to join LACEP;
- Identification of the types of facilities, distributed generation renewable energy sources, or energy or water efficiency improvements that may be financed through the use of contractual assessments;
- A financing plan for raising capital and funding installation of the Improvements; and
- A draft assessment contract specifying the terms and conditions that will be applicable to the property owner and the County.

In addition to the above information, the Report also provides a summary of the benefits to be recognized following the implementation of LACEP. By the end of 2012, LACEP seeks to achieve energy retrofits for 15,000 single-family homes in unincorporated areas of the County, with the potential to add \$150 million to the local economy. LACEP also intends to create an estimated 1,600 home energy retrofit jobs and as many as 1,000 ancillary jobs in fields such as

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<sup>1</sup> An exception is the construction or addition of a qualified solar energy system, which is specifically excluded from reassessment under Section 73 of the California Revenue and Taxation Code.

workforce development, local manufacturing, product distribution, and research and development. These improvements to the local economy are in addition to the environmental objectives associated with LACEP and the goal of reducing the County's annual greenhouse gas emissions (attributable to its existing housing stock) by 20,000 tons of carbon dioxide annually. The benefits to both the economy and the environment are expected to increase dramatically once individual cities join LACEP, as the above forecasts were quantified solely for unincorporated areas of the County.

The program design elements of LACEP are being managed by ISD and a consultant team (Project Team) that has been engaged to assist with the development of the Program. This process is near completion and will establish the criteria for eligible projects and properties, the available rebates and incentives, and the processes for approving and funding the Improvements. The details of the program design phase are currently being presented to various stakeholders (County staff, cities, utilities, contractors, regulatory bodies) for comment and review. The Project Team is also preparing a Program Administration Plan that will include tools for administering, tracking and reporting all necessary data concerning projects, loans, and program benefits. This effort will include a number of activities, such as coordination with stakeholders involved with building efficiency and renewable resource retrofit programs, development and implementation of a marketing and outreach strategy, and implementation of Environmental Service Centers (ESCs). The ESCs will make use of electronic media, community events and strategically located venues to promote environmental programs and LACEP. To assist the public and other stakeholders in becoming acquainted with LACEP, a manned, toll-free number has been established and a website has been activated to provide Program information and updates.

Following your Board's adoption of LACEP on May 25, 2010, major elements of the program implementation phase will begin. By July 2010, a "toolkit" of information will be made available for cities to assist them in joining the Program and promoting it within their jurisdictions. Also by July, the ESCs will be provided with program materials and a deployment plan will be implemented. The goal is to formally launch LACEP in September 2010 (following the conclusion of the judicial validation) and secure participation from a majority of the 88 cities in the County. While the initial implementation phase will be limited to residential properties, a commercial program is also being developed in accordance with AB 811. Additional details regarding the implementation of the residential program, and the future design of a commercial platform, will be provided to your Board in bi-monthly reports submitted by ISD.

#### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

By providing financing that may not otherwise be readily available to property owners, the County is promoting energy and water conservation, and the reduction of greenhouse gas emissions, which supports the County Strategic Plan Goal 1, Operational Effectiveness. This action also supports the County Strategic Plan Goal 3, Community and Municipal Services, by providing property owners a means to finance improvements that will result in utility cost-savings and improve their quality of life.

## **FISCAL IMPACT/FINANCING**

### **Grant Funding**

In October 2009, your Board accepted the County's allocation of \$15.4 million in Energy Efficiency and Conservation Block Grant (EECBG) funding received under the American Recovery and Reinvestment Act. The County has identified approximately \$12.2 million of this EECBG funding to support the implementation of its AB 811 program and related activities, including ESCs, public information and outreach.

In November 2009, ISD, in collaboration with the Association of Bay Area Governments, the Sacramento Municipal Utility District, and the San Diego-based California Center for Sustainable Energy, submitted a single, statewide application to the United States Department of Energy (DOE) Federal Competitive EECBG grant program for up to \$75 million in funding. In April 2010, ISD was notified that its proposal was awarded a total of \$30 million. Given that this grant award represents 40% of the amount requested, and that the grant is to be shared with the other regional partners, the County's share will be approximately \$14 million. This grant funding, per DOE requirements, will support development and implementation of model, regional programs that demonstrate greater participation in existing building retrofits and greater energy efficiency savings. ISD has submitted correspondence requesting your Board's acceptance of this grant.

ISD has also negotiated with the California Energy Commission (CEC) to obtain additional funding support for LACEP. In prior communications to your Board, it was reported that representatives from ISD and the CEO met with CEC Commissioners and staff in early March, 2010 to discuss the County's unsuccessful grant application. Following this meeting, the CEC expressed a desire to assist the County and provide funding for its AB 811 program. The CEC has agreed to provide the County with approximately \$8 million to help implement LACEP within those cities that choose to participate in the Program. When the final terms and conditions of this agreement have been negotiated, ISD will prepare separate correspondence to seek your Board's acceptance of funding from the CEC.

### **Bond Financing**

The County intends to finance the loans to participating property owners through a public sale of the Assessment Bonds. Pursuant to the Improvement Bond Act of 1915 and Division 10 of the California Streets and Highways Code, local governments are authorized to issue bonds secured by the voluntary contractual assessments of property owners within their jurisdictions. Proceeds from the sale of the Assessment Bonds will be used for the purpose of funding loans to property owners who have been approved for participation in LACEP. Because the Improvements are being installed on private property, however, LACEP does not currently have the ability to issue the Assessment Bonds on a tax-exempt basis. The legal requirement to issue taxable bonds will significantly increase the interest cost of borrowing to LACEP and could result in interest rates that are about 35% higher than those associated with comparable bonds sold on a tax-exempt basis. It is important to note that neither the County's credit nor its credit ratings will in any way support or guarantee the Assessment Bonds issued in connection with LACEP.

It is anticipated that LACEP will need to accumulate a certain number of approved loans before it is able to enter the public capital markets and sell bonds. This is due both to the liquidity requirements of municipal bond investors and the positive efficiencies derived from a larger bond financing. Given its experience with prior assessment districts, the Treasurer forecasts that a successful bond sale will require a minimum of \$10 million of loans (e.g., 1,000 loans at an average value of \$10,000 each). Prior to achieving the necessary loan volume, LACEP will pursue a number of interim financing options, including loans from large commercial banks and the private placement of securities with qualified institutional investors. In every instance, the interim financing will be secured by the contractual assessments and will be structured to allow for a "take-out" financing that involves the public sale of Assessment Bonds.

The adoption of the attached resolutions will authorize an initial issuance of the Assessment Bonds in an aggregate principal amount of not to exceed \$100 million. It is anticipated that the first public issuance of bonds will be considerably less than \$100 million given that LACEP may achieve economies of scale at levels as low as \$10 million. The final maturity of the Assessment Bonds will be limited to the estimated useful life of the Improvements, and on average, is expected to be 15 - 20 years. The interest rate on the Assessment Bonds will be determined by conditions in the taxable bond market at the time of the sale. As referenced earlier, the taxable status of the Assessment Bonds will have a significant impact on borrowing costs and will cause these bonds to be issued at interest rates above traditional tax-exempt municipal bond rates. In the current market, it is estimated that the interest rate on taxable assessment bonds will be within a range of 7.0% to 7.5%.

The interest rate obtained on the Assessment Bonds will be the single greatest factor in determining the borrowing cost for individual property owners who choose to participate in LACEP. In addition to funding debt service payments on the Assessment Bonds, contractual assessment revenue will also be used to finance a bond reserve fund, pay costs of issuance on the bonds, and fund certain administrative costs of the Program. It is anticipated that participants in LACEP will assume an all-in borrowing cost on their assessments that is approximately 200 basis points (2.0%) higher than the yield on the Assessment Bonds. To the extent that your Board takes action to appropriate additional grant funding for the purposes of LACEP, this "spread" of 200 basis points may be narrowed and the borrowing cost to participants reduced below the current estimate of 9.0% to 9.5%. The ability to lower participant borrowing costs is significant given that average interest rates for home equity loans in Los Angeles County were approximately 8.75% as of May 1, 2010.

The goal of providing competitive loan rates to participating property owners is one of the most important near-term objectives of LACEP. Certain factors that will help to reduce this borrowing cost include potential changes to Federal and State legislation, nationwide expansion of green energy financing programs, and the development of underwriting criteria that will minimize the risk of loan default. With respect to this latter category, the Treasurer will pursue underwriting criteria, largely dictated by the bond market, to help ensure that only creditworthy individuals are approved for loans under LACEP. Certain minimum requirements that LACEP is considering are as follows:

- Property taxes and assessments are current on the property and have not been delinquent for a period of 5 years (or since the date of the most recent transfer if less than 5 years);

- Property owner is current on mortgage, has not defaulted on the deed(s) of trust, and can legally enter into the Program;
- Improvement costs are reasonable to property value and must meet a value-to-lien ratio of 10:1 or greater; and
- Property must meet a positive equity test and not exceed a maximum loan-to-value ratio.<sup>2</sup>

Of the four underwriting criteria listed above, the one that is likely to have the greatest influence on bond yields is the positive equity test. Investors are highly sensitive to loan-to-value ratios and may be reluctant to purchase assessment bonds that allow for loan-to-value ratios that exceed 80%. The ability to structure a contractual assessment program with strict underwriting criteria will significantly help to reduce borrowing costs to participating property owners. It will also serve to limit the number of property tax delinquencies and help mitigate the need to initiate foreclosure proceedings.

### **Foreclosure Policies**

In connection with the issuance of the Assessment Bonds, the County will be required to provide a judicial foreclosure covenant that applies to all delinquent LACEP assessments. The ability to initiate foreclosure proceedings in the interest of bondholders has been an integral credit feature for assessment district and community facilities district (Mello-Roos) financings in California for more than two decades. The County has completed twenty-three (23) such financings over this period and has always included a foreclosure covenant in its commitment to bondholders. The ability to sell assessment bonds without a specific foreclosure covenant is highly uncertain in today's market, and even if feasible, would result in much higher borrowing costs for a program such as LACEP.

It is therefore expected that the County will retain the right, but not necessarily the obligation, to initiate judicial foreclosure as soon as a property owner becomes delinquent on the annual assessment associated with LACEP (a property tax bill is deemed to be delinquent if any portion of the amount due remains unpaid as of June 30th). While the County will have the ability to commence foreclosure proceedings immediately following any delinquency, the requirement to do so will only take effect if there is a corresponding impact to the security provisions of the Assessment Bonds. Specifically, the County will be obligated to pursue judicial foreclosure whenever the reserve fund established for the Assessment Bonds (the Reserve Fund) is reduced to a level below its initial funding requirement. The Reserve Fund is designed to function as a source of repayment to bondholders in the event that delinquencies prevent assessment revenue from satisfying the principal and interest obligations on the Assessment Bonds.

The incorporation of a reserve fund test in the foreclosure covenant is significant in that it can serve to reduce the need to pursue judicial foreclosure proceedings. The Reserve Fund is typically maintained at levels in excess of its initial requirement due to interest earnings that

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<sup>2</sup> The loan-to-value ratio is defined as the aggregate total of all liens secured by real estate mortgages divided by either the assessed value of the property or the market value as determined by a third-party appraisal.



have accumulated during the tax year. These interest earnings can be used to offset any reduction in assessment revenue that might result in a draw on the Reserve Fund. Furthermore, LACEP will have the ability to supplement the Reserve Fund from other funding sources should this be necessary in order to avoid a foreclosure judgment. For example, LACEP could choose to defer certain administrative costs and use these monies as an additional means of meeting the minimum reserve requirement.

Given the unique structure of AB 811 financings, the Treasurer expects that foreclosures will be significantly less common for LACEP than has been the case in prior assessment districts. Unlike other assessment district financings, LACEP is completely voluntary and individual property owners will have to meet a set of minimum credit requirements before being approved for participation in the Program. Furthermore, the County will have some discretion to pursue the larger delinquencies first and not to foreclose on every delinquency that contributes to or precipitates a draw on the Reserve Fund. During any judicial foreclosure proceeding, the County will seek to recover only those amounts associated with delinquent LACEP assessments and will not pursue the collection of other delinquent property taxes. Furthermore, the entire amount of the assessment will not become due upon a delinquency and there will be no acceleration of future assessment amounts.

The specific details of a LACEP foreclosure policy will be determined in connection with the sale of the Assessment Bonds to public and/or private investors. Under no circumstances will LACEP adopt a formal set of foreclosure policies without returning to your Board for approval. It is anticipated that the final recommendation to your Board will reflect policies similar to those presented in this letter and will be determined in large part by market conditions at the time of the bond sale. The Treasurer will return to the Board for specific authorization to sell each series of bonds and will provide detailed information regarding all foreclosure covenants included in the financing documents.

#### **FACTS AND PROVISIONS/ LEGAL REQUIREMENTS**

These proceedings are governed by Chapter 29 of Part 3 of Division 7 of the Streets and Highways Code of the State of California. Pursuant to this statute, counties and cities are authorized to assist free and willing property owners in financing improvements that are permanently fixed to residential, commercial, industrial, or other real property through a voluntary contractual assessment program.

In accordance with Section 5989.30 of the Act, as amended by AB 811, the levy and collection of assessments pursuant to Chapter 29 are valid under existing law and provide for the priority status of an AB 811 assessment lien. The County has sought and relied upon the legal opinion of its bond counsel to confirm the validity of the LACEP assessment and the priority status of contractual assessments liens. At the direction of County Counsel, LACEP will further confirm such conclusion by initiating a formal judicial validation proceeding. A judgment by the Los Angeles County Superior Court regarding the validity of LACEP, and the priority status of the ensuing liens, is of great importance to potential investors and will assist the Treasurer in pricing the Assessment Bonds.

Following your Board's adoption of the attached resolutions, and pursuant to Section 860 of the Code of Civil Procedure (Validation Statute), court proceedings will be initiated by the filing of a

Honorable Board of Supervisors  
May 25, 2010  
Page 9

formal validation complaint with the Los Angeles County Superior Court to obtain an order declaring the validity of LACEP, the priority status of the lien, and the validity of the LACEP financing instruments submitted to your Board. Under the Validation Statute, a summons, which provides a summary of the matter the County seeks to validate, will contain a notice directed to all interested parties that they may contest the legality or the validity of the matter by appearing in person and filing a written response to the complaint not later than the date specified in the summons. Matters, including constitutional challenges, must be raised within the statutory limitations period or they are waived. It is anticipated that the validation proceedings will take approximately 90-120 days to complete.

#### **ENVIRONMENTAL DOCUMENTATION**

On April 6, 2010, your Board found that the proposed project is exempt from the California Environmental Quality Act and determined that it will not have a significant impact on the environment.

#### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

The implementation of the Program will have no impact on current services. The Program will reduce greenhouse gases, improve energy efficiency, and create jobs within the County.

#### **CONCLUSION**

Upon approval of the attached resolutions, it is requested that the Executive Officer of the Board return three originally executed copies to the Chief Executive Office, Internal Services Department, and Treasurer and Tax Collector.

Respectfully submitted,



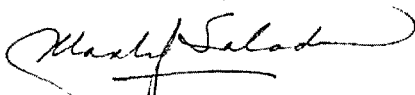
WILLIAM T FUJIOKA  
Chief Executive Officer

Respectfully submitted,



TOM TINDALL  
Director, Internal Services Department

Respectfully submitted,



MARK J. SALADINO  
Treasurer and Tax Collector

Honorable Board of Supervisors  
May 25, 2010  
Page 10

Attachments

c:     Assessor  
         County Counsel  
         Executive Office, Board of Supervisors  
         Auditor-Controller

A RESOLUTION OF THE BOARD OF DIRECTORS  
AUTHORIZING THE ISSUANCE AND SALE OF LOS  
ANGELES COUNTY ENERGY PROGRAM CONTRACTUAL  
ASSESSMENT REVENUE BONDS; APPROVING AS TO  
FORM AND AUTHORIZING THE EXECUTION AND  
DELIVERY OF INDENTURES, A LOAN AGREEMENT AND  
OTHER SIMILAR AGREEMENTS IN CONNECTION  
THEREWITH; AND AUTHORIZING A VALIDATION  
ACTION AND CERTAIN ACTIONS RELATED THERETO

WHEREAS, the County of Los Angeles, a political subdivision of the State of California (the "County"), the Los Angeles County Regional Park and Open Space District (the "Park District"), the Los Angeles County Flood Control District (the "Flood Control District"), and the Community Facilities District No. 2 of the County of Los Angeles (Rowland Heights Area) ("CFD No. 2") have executed a Joint Exercise of Powers Agreement, dated May 18, 1993 (as amended, the "Agreement"), pursuant to the Joint Exercise of Powers Act constituting Articles 1 through 4, Chapter 5, Division 7, Title 1 of the California Government Code (commencing with Section 6500) (as amended, the "JPA Act") establishing the Los Angeles County Public Works Financing Authority (the "Authority"), for the purpose, among others, of issuing bonds to be used to provide financial assistance to the County; and

WHEREAS, Chapter 29 of Part 3 of Division 7 of the Streets and Highways Code of the State of California (the "Contractual Assessment Law") authorizes counties to assist free and willing property owners in financing the installation of distributed generation renewable energy sources and energy and water efficiency improvements (the "Improvements") that are permanently fixed to residential, commercial, industrial or other real property through a contractual assessment program; and

WHEREAS, the Board of Supervisors (the "Board of Supervisors") of the County, previously approved a resolution (the "Resolution of Intention") declaring its intention to order the implementation of a contractual assessment program to finance Improvements pursuant to the Contractual Assessment Law; and

WHEREAS, following notice duly given and a hearing in accordance with applicable law, the Board of Supervisors approved a resolution (the "Resolution Establishing the LACEP") which, among other things, authorized the establishment of the Los Angeles County Energy Program (the "LACEP") to finance the acquisition, construction and installation of the Improvements on properties in the County through the use of contractual assessments pursuant to the Contractual Assessment Law; and

WHEREAS, pursuant to LACEP, the County will enter into contractual assessment agreements (each, an "Assessment Contract") with free and willing property owners (the "Property Owners") pursuant to which the County will assist in financing the acquisition, construction and installation of Improvements on or in such owners' respective properties and levy contractual assessments (each, an "Assessment") on the applicable properties in the amounts set forth in the Assessment Contracts; and

WHEREAS, the County desires to finance the disbursement of amounts pursuant to the Assessment Contracts through the issuance of contractual assessment limited obligation improvement bonds (the "County Assessment Bonds") from time to time in one or more series under and pursuant to the Contractual Assessment Law and The Improvement Bond Act of 1915, being Division 10 of the Streets and Highways Code of the State (the "1915 Act"); and

WHEREAS, the Authority may, in accordance with the JPA Act, issue revenue bonds for the purpose of providing financial assistance to its contracting parties, including through the acquisition of County Assessment Bonds; and

WHEREAS, the County Assessment Bonds may be sold by a negotiated sale or by competitive bid or acquired by the Authority in accordance with the JPA Act, all as may be determined as being in the best interests of the County; and

WHEREAS, the County also desires to finance the disbursement of amounts pursuant to the Assessment Contracts through the execution and delivery of one or more Loan Agreements (each, a "Loan Agreement") with the Authority; and

WHEREAS, the Authority may fund loans under the Loan Agreements (the "Loans") with proceeds of revenue bonds to be issued by the Authority pursuant to the JPA Act; and

WHEREAS, the Authority desires to issue its Los Angeles County Energy Program Contractual Assessment Revenue Bonds (the "Bonds") from time to time in one or more series under and pursuant to the JPA Act for the purpose of acquiring County Assessment Bonds or funding Loans to the County, as applicable, in each case to finance disbursements to free and willing property owners to finance the Improvements pursuant to LACEP and the Assessment Contracts; and

WHEREAS, in furtherance of LACEP and in order to effect the issuance and administration of the Loans and the Bonds, the Authority desires to approve the execution and delivery of the following documents, the forms of which are on file with the Secretary of the Board of Directors of the Authority:

(1) an indenture (the "Marks-Roos Indenture") by and among the Authority, the Treasurer and Tax Collector of the County, as paying agent thereunder, and the Auditor-Controller of the County, as fiscal agent thereunder, pursuant to which the Authority will issue one or more series of Bonds, the proceeds of which will be used to acquire County Assessment Bonds;

(2) a Loan Agreement by and between the County and the Authority pursuant to which the Authority agrees to lend to the County proceeds of certain Bonds to finance Improvements under the Assessment Contracts; and

(3) an indenture (the "Authority Indenture" and, together with the Marks-Roos Indenture, the "Indentures") by and among the Authority, the County, the Treasurer and Tax Collector of the County, as paying agent thereunder, and the Auditor-Controller of the County, as fiscal agent thereunder, pursuant to which the Authority will issue one or more series of Bonds, the proceeds of which will be used to finance Loans under the Loan Agreements; and

WHEREAS, the Authority also desires to provide for the issuance of additional contractual assessment revenue bonds (the "Additional Bonds") from time to time in one or more series under the Marks-Roos Indenture, the Authority Indenture or any other instrument for the issuance of evidences of indebtedness secured by contractual assessments or secured by debt obligations that are in turn secured by contractual assessments (the "Additional Issuance Instruments") and the authorization of any attendant issuance documents in connection with such issuance; and

WHEREAS, the Authority further desires to cause the filing of an action to determine the validity of the Assessments, the Assessment Contracts, the Indentures, the Bonds, the Additional Bonds, the Additional Issuance Instruments, this Resolution, the Loans and the Loan Agreements, and the actions proposed to be taken in connection therewith;

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY (THE "BOARD OF DIRECTORS") DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. Recitals. The Board of Directors hereby finds and declares that the issuance of the Bonds in one or more series and the other actions contemplated by this Resolution are in the best interests of the Directors.

Section 2. Approval of the Bonds. The Board of Directors hereby approves the initial issuance of the Bonds by the Authority in an aggregate principal amount of not to exceed \$100,000,000 for the purpose of funding certain loans in connection with LACEP; provided that the Bonds shall have a final maturity of not to exceed 39 years from the second day of September next succeeding 12 months from their date of issuance and a true interest cost (including any bond insurance premiums, if any, and any reserve surety premiums, if any) not greater than the maximum rate of interest pursuant to applicable law; and provided, further, that the discount on the purchase price of the Bonds to the underwriter for the Bonds, if any, excluding original issue discount shall not exceed 2.0% of the aggregate principal amount of the Bonds. The Bonds may be sold by a negotiated sale or by competitive bid and the Bonds may be supported by a bank line of credit or similar instrument, all as may be determined for and in the name and on behalf of the Authority by the officers of the Authority, or any of them, or their designee (each, an "Authorized Officer"), in consultation with the Chief Executive Officer or the Treasurer and Tax Collector of the County.

Section 3. Loan Agreement. The form of the Loan Agreement by and between the County and the Authority, in the form presented at this meeting and on file with the Secretary of the Board of Directors, is hereby approved. Each of the Authorized Officers, is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Loan Agreements in substantially said form, with such changes therein as may be requested by bond counsel and as the Authorized Officer executing the same may approve (such approval to be conclusively evidenced by such Authorized Officer's execution and delivery thereof).

Section 4. Indentures; Sale of Bonds. The forms of the Indentures by and between the County and the Authority, in the forms presented at this meeting and on file with the

Secretary of the Board of Directors, are hereby approved. The Board of Directors also approves other instruments and funding mechanisms substantially similar to the Indentures pursuant to which the Authority will issue evidences of indebtedness secured by voluntary contractual assessments or secured by debt obligations that are in turn secured by contractual assessments; provided that proceeds of such indebtedness are used to help finance Loans under LACEP or acquire County Assessment Bonds, the proceeds of which will be used to finance Improvements under LACEP. Each Authorized Officer, acting singly, is authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Indentures in substantially said forms, with such changes therein as may be requested by bond counsel and as the officer executing the same may require or approve, including such matters as are authorized by Section 6 hereof (such approval to be conclusively evidenced by such Authorized Officer's execution and delivery thereof).

Section 5. Validation. The Authorized Officers are, and each of them hereby is authorized, in consultation with County Counsel and with the assistance of bond counsel, to prepare and cause to be filed and prosecuted to completion all proceedings required for the judicial validation of the Assessments, the Assessment Contracts, the Indentures, the Bonds, the Additional Bonds, the Additional Issuance Instruments, this Resolution, the Loans, the Loan Agreements and the Indenture in the Superior Court of Los Angeles County, under and pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure. The Board of Directors further authorizes the Authorized Officers and all other officers, employees and agents of the County to take any and all actions, including the execution and delivery or appropriate documentation, as may be required to conclude such judicial validation proceedings.

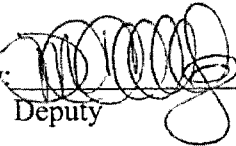
Section 6. Other Actions. The Authorized Officers and all other officers of the Authority are hereby authorized and directed, jointly and severally, to do any and all acts and things and deliver any and all documents which they may deem necessary or advisable in order to effectuate the purposes of this Resolution and all matters incidental thereto, including issuing the Bonds and assisting with financing LACEP, and any such actions previously taken by such officers are hereby ratified and confirmed.

Section 7. Effective Date. This Resolution shall take effect immediately upon adoption.

The foregoing Resolution was on the 25<sup>th</sup> day of May, 2010, adopted by the Board of Supervisors of the County of Los Angeles and ~~ex-officio~~ the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts, acting herein as the Board of Directors of the Los Angeles County Public Works Financing Authority.




SACHI A. HAMAI  
Executive Officer of the  
Board of Supervisors of the  
County of Los Angeles

By:   
Deputy

APPROVED AS TO FORM:

ANDREA SHERIDAN ORDIN  
County Counsel

By:   
Cammy C. DuPont  
Principal Deputy County Counsel